

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Kalamazoo Regional Water & Wastewater C	County Kalamazoo
Fiscal Year End 3-31-2007	Opinion Date June 22, 2007	Date Audit Report Submitted to State July 19, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

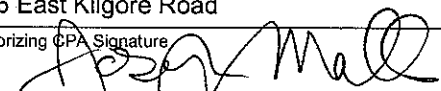
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not required	
Other (Describe)	<input type="checkbox"/>	Not required	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Authorizing CPA Signature 		Printed Name Joseph M. Walls, CPA	Zip 49002
		License Number 1101013696	

***Kalamazoo Regional Water and Wastewater Commission  
Kalamazoo County, Michigan***

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

*Year ended March 31, 2007*

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## CONTENTS

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	<i>Page</i>
<b>INDEPENDENT AUDITORS' REPORT</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of net assets	4
Statement of activities	5
Notes to financial statements	6 - 7
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Budgetary comparison schedule	8

## INDEPENDENT AUDITORS' REPORT

**Members of the Board  
Kalamazoo Regional Water and Wastewater Commission**

We have audited the accompanying basic financial statements of the Kalamazoo Regional Water and Wastewater Commission, as of March 31, 2007, and for the year then ended, as listed in the contents. These financial statements are the responsibility of the Kalamazoo Regional Water and Wastewater Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Kalamazoo Regional Water and Wastewater Commission at March 31, 2007, and the changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The required supplemental information listed in the contents is presented for additional analysis and is not a required part of the financial statements of the Kalamazoo Regional Water and Wastewater Commission, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Kalamazoo Regional Water and Wastewater Commission has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Siegfried Crandall P.C.*

June 22, 2007

## **BASIC FINANCIAL STATEMENTS**

**Kalamazoo Regional Water and Wastewater Commission**

**STATEMENT OF NET ASSETS**

March 31, 2007

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**ASSETS**

Current assets:

Cash	\$ 148,915
Receivable, net	<u>680</u>

Total assets	149,595
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**LIABILITIES**

Current liabilities:

Accounts payable	<u>2,173</u>
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**FUND BALANCE/NET ASSETS**

Net assets:

Unrestricted	<u>\$ 147,422</u>
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See notes to financial statements

***Kalamazoo Regional Water and Wastewater Commission***

**STATEMENT OF ACTIVITIES**

*Year ended March 31, 2007*

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**EXPENSES**

Public works	\$ 18,621
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**GENERAL REVENUES**

Interest	<u>4,757</u>
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<b>CHANGE IN NET ASSETS</b>	(13,864)
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<b>NET ASSETS - BEGINNING</b>	<u>161,286</u>
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<b>NET ASSETS - ENDING</b>	<u><u>\$ 147,422</u></u>
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*See notes to financial statements*

**Kalamazoo Regional Water and Wastewater Commission**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Kalamazoo Regional Water and Wastewater Commission conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant policies:

The Kalamazoo Regional Water and Wastewater Commission was established May 8, 1998, to jointly plan for, coordinate, and implement regionalization of water and wastewater infrastructure in and around Kalamazoo County. The Commission is comprised of various municipalities within Kalamazoo County.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Commission (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Commission has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Commission's financial statements.

*b) Basis of accounting:*

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The Operating Fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available if collected in the current period or within 60 days of the end of the current fiscal year end. Expenditures are generally recognized when the related liability is incurred.

*c) Assets and liabilities:*

*Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

*d) Receivables:*

All receivables are expected to be fully collectible as presented.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**Budgetary information** - The budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no budget variations.



**Kalamazoo Regional Water and Wastewater Commission**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

*Deposits with financial institutions:*

Deposits are carried at cost and are maintained at one financial institution in the name of the Commission. State statutes and the Commission's investment policy authorize the Commission to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Commission's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, the Commission has deposits with a carrying amount and a bank balance of \$148,915, the entire amount of which was covered by federal depository insurance.

**NOTE 4 - RISK MANAGEMENT:**

The Commission is exposed to various risks of loss related to torts, theft, of damage to, and destruction of, assets, errors and omissions, injuries to employees, and natural disasters. The Commission carries commercial insurance for the above risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal periods.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**Kalamazoo Regional Water and Wastewater Commission**  
**BUDGETARY COMPARISON SCHEDULE - Operating Fund**  
Year ended March 31, 2007

	<u>Original and amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>			
Interest	\$ 4,200	\$ 4,757	\$ 557
<b>EXPENDITURES</b>			
Public works:			
Professional services	37,500	16,576	20,924
Insurance	<u>2,500</u>	<u>2,045</u>	<u>455</u>
Total public works	<u>40,000</u>	<u>18,621</u>	<u>21,379</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(35,800)	(13,864)	21,936
<b>FUND BALANCE - BEGINNING</b>	<u>188,553</u>	<u>161,286</u>	<u>(27,267)</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 152,753</u>	<u>\$ 147,422</u>	<u>\$ (5,331)</u>